

Guide for Review of Cost Allowability			
Name of Program Participant:			
Staff Consulted:			
Name(s) of Reviewer(s)		Date	

NOTE: All questions that address requirements contain the citation for the source of the requirement (statute, regulation, NOFA, or grant agreement). If the requirement is not met, HUD must make a finding of noncompliance. All other questions (questions that do not contain the citation for the requirement) do not address requirements, but are included to assist the reviewer in understanding the participant's program more fully and/or to identify issues that, if not properly addressed, could result in deficient performance. Negative conclusions to these questions may result in a "concern" being raised, but not a "**finding.**"

Instructions: The HUD reviewer should use this Exhibit to evaluate the program participant's allocation of costs and to verify that its procedures comply with OMB Circular A-87 and 24 CFR §85.22. The reviewer should randomly select an appropriate sample of administrative items of cost (based on size of most recent grant, amount of time, results of pre-monitoring preparation, etc.) to evaluate compliance. In addition, this Exhibit is to be used to assess the program participant's compliance with the CDBG planning and administrative and public service caps.

Questions

1.

Provide information on the selected sample of cost items in table below. (If additional rows are needed, please attach an additional sheet.)

	COST ITEM DESCRIPTION	BUDGETED	EXPENDED	DATE EXPENDED
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				

2.

Does a spot check of the above sample reveal any obvious instances where these expenditures were not necessary and reasonable for proper and efficient administration of the program per 24 CFR 85.22 and OMB Circular A-87, Attachment B? [24 CFR 570.502(a)(6)]			
a. salaries and related costs? [OMB Circular A-87, Attachment B, #8(1)(b)]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A
b. professional service contracts (e.g., legal, accounting, auditing, consulting)? [OMB Circular A-87, Attachment B, #32]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A
c. travel expenditures? [OMB Circular A-87, Attachment B, #43]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A
d. other administrative costs, e.g., training? [OMB Circular A-87, Attachment B, #42]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A
Describe Basis for Conclusion:			

3.

Does a review of program expenditures reveal the existence of any unallowable costs as itemized in OMB Circular A-87, Attachment B, at 24 CFR 85.22, including: [24 CFR 570.502(a)(6)]			
a. entertainment? [OMB Circular A-87, Attachment B, #14]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A
b. contributions and donations? [OMB Circular A-87, Attachment B, #12]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A
c. fines and penalties? [OMB Circular A-87, Attachment B, #16]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A
d. general governmental expenditures including salary and expenses of the chief executive officer of the program participant? [OMB Circular A-87, Attachment B, #19]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A
Describe Basis for Conclusion:			

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4.

If deficiencies were noted in questions 2 and 3 above, does your review indicate that the problems are isolated or systemic?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
Describe Basis for Conclusion: 			

5.

Have any costs related to lobbying and political activities been charged to the grant program? [24 CFR 85.22, 24 CFR 570.502(a)(6) and 24 CFR 570.207(a)(3)]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Describe Basis for Conclusion: 		

6.

Are costs charged to the grant program after subtraction of all applicable credits? [24 CFR 85.22 and 24 CFR 570.502(a)(6)]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Describe Basis for Conclusion: 		

7.

Are costs charged to the grant program not allocable to, or included as, a cost of any other Federally financed program in either the current or prior period? [24 CFR 85.22 and 24 CFR 570.502(a)(6)]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Describe Basis for Conclusion: 		

8.

If indirect costs are charged to the grant program by a program participant, or a subrecipient that is a governmental unit, are the costs supported by an indirect cost proposal prepared in accordance with OMB Circular A-87? [24 CFR 85.22 and 24 CFR 570.502(a)(6)]	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
Describe Basis for Conclusion:	

9.

If indirect costs are charged to the grant program by a subrecipient that is a nonprofit organization, are the costs supported by an indirect cost proposal prepared in accordance with OMB Circular A-122? [24 CFR 570.502(b)]	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
Describe Basis for Conclusion:	

10.

Have all planning and administrative costs subject to the 20 percent limitation been properly classified? [24 CFR 85.22, 24 CFR 570.200(g) and 24 CFR 570.502(a)(6)]	<input type="checkbox"/> Yes <input type="checkbox"/> No
Describe Basis for Conclusion:	

11.

Based upon the analysis completed in Worksheet I, is the program participant in compliance with the planning and administrative 20 percent limitation? [24 CFR 570.200(g) and 24 CFR 570.502(a)(6)]	<input type="checkbox"/> Yes <input type="checkbox"/> No
Describe Basis for Conclusion:	

12.

For the period reviewed, have all public service costs subject to the 15 percent limitation been properly classified? [24 CFR 570.201(e) and 24 CFR 570.500(a)(3)]	<input type="checkbox"/> Yes <input type="checkbox"/> No
Describe Basis for Conclusion:	

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13.

Per the analysis completed in Worksheet II, is the program participant in compliance with the 15 percent limitation on public services? [24 CFR 570.201(e) and 24 CFR 570.500(a)(3)]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Describe Basis for Conclusion:		

14.

Does a review of the personnel roster of staff being paid from program resources reveal any obvious instances of personnel being paid from, but not working on, program activities? [24 CFR 85.22 and 24 CFR 570.502(a)(6)]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Describe Basis for Conclusion:		

Worksheet I: Guide for Review of Compliance with the Planning and Administrative Cap			
Name of Program Participant:			
Program Year Being Assessed:			
Name(s) of Reviewer(s)		Date	

Instructions: This worksheet is designed to assist the reviewer in answering question 11 of this Exhibit. No more than 20% of the sum of any grant plus program income that is received during the program year may be obligated by the program participant and its subrecipients for planning and administrative costs, as defined in 24 CFR 570.205 and 570.206, respectively. Recipients of entitlement grants will be considered to be in compliance with this requirement if the total obligations charged under these categories during the program participant's completed program year (without regard to the source year of funds) are not greater than 20% of the sum of the entitlement grant and the program income received during that program year by the program participant and its subrecipients. [References: Annual Appropriations Acts and 24 CFR 570.200(g).]

Part I: Calculating the Cap

- (1) To determine the base against which the 20% cap will be applied, total the amount of CDBG funds *received during the program year* from the following sources:

Entitlement Grant (from line 8.b of the Funding Approval form, HUD-7082) \$ _____

Surplus from Urban Renewal (from line 10.b of the Funding Approval form, HUD-7082) \$ _____

Program income received by the program participant and its subrecipients \$ _____

TOTAL: \$ _____

- (2) To calculate the amount of the cap, multiply the total amount determined in Step (1) above by .20 and enter the number here \$ _____

This amount represents the maximum dollar level that may be obligated during the program year and charged to the basic eligibility categories of Planning and Capacity Building and Program Administration, i.e., the **cap**.

Part II: Determining Compliance with the Cap

Compliance with the planning and administrative cap is determined for program participants by performing the following calculations at the end of each program year:

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- (3) Determine the total amount of CDBG funds expended during the program year for activities that are classified as eligible under 24 CFR 570.205 (Planning and Capacity Building) and 24 CFR 570.206 (Program Administration Costs): \$ _____
- Add* to the above amount the total amount of unliquidated obligations for activities under these same two categories, as of the end of the program year: \$ _____
- Subtract* from the balance the total amount of unliquidated obligations from these two categories, as of the end of the preceding year: \$ _____
- (4) Enter here the result of the above calculations. This is the amount of net obligations for Planning and Administration during the program year: \$ _____

To be in compliance with the 20% cap, the amount determined above as the net amount obligated may not exceed the amount determined as the cap for the year in the first portion of this subsection (see number (2) above).

Worksheet II: Guide for Review of Compliance with the Public Services Cap			
Name of Program Participant:			
Program Year Being Assessed:			
Name(s) of Reviewer(s)		Date	

Instructions: This worksheet is designed to answer question 13 of this Exhibit. Follow the steps below in order to determine the maximum amount that an entitlement community obligated for Public Services during a program year.

Part I: Calculating the Cap

1. Enter the amount of the Entitlement Grant awarded for the program year, as shown in the Grant Agreement on line 11.b of the Funding Approval form (HUD-7082): \$ _____
2. Multiply the amount on line 1 by 0.15 and enter the product here: \$ _____
3. *If applicable to this community*, enter here the amount determined as described in the * **Note** below: \$ _____
4. Enter here the total amount of program income received by the program participant and all of its subrecipients during the program year preceding the year for which this cap is being determined: \$ _____
5. Multiply the amount on line 4 by 0.15 and enter the product here: \$ _____
6. Add the amount on line 5 to the amount on line 2 (or, where applicable, to the amount on line 3) and enter the sum here. This is the maximum amount that this community may obligate during the program year for activities carried out under the category of Public Services and under the category of Special Activities by Community Based Development Organizations (CBDOs) which are not expressly exempt from the cap: \$ _____

***Note:** If the program participant, *with the expressed consent of HUD*, obligated more than 15% of its annual entitlement grant during either its 1982 or 1983 program year for public services, the program participant may use, for this calculation in lieu of 15% of its current grant, the *greater* of the following amounts:

Enter here the amount the program participant actually obligated for public services during that program year: \$ _____

or

identify the percentage of the grant obligated for public services during that program year and multiply the amount on line 1 above, by the decimal equivalent of this percentage in lieu of 0.15 and enter the product here: \$ _____

Part II: Determining Compliance with the Cap

Compliance with the public services cap for program participants is determined by performing the following calculation at the end of each program year:

Determine the total amount of CDBG funds expended during the program year for activities that are classified as eligible under 24 CFR 570.207(e) plus any public services carried out by a CBDO under 24 CFR 570.204 that are not exempt from the cap as provided under 24 CFR 570.204(b)(2)(i) or (ii) and enter the total here: \$ _____

Identify the total amount of unliquidated obligations for activities under these same two categories, as of the end of the program year and enter the total here: \$ _____

Add the above two numbers and enter the subtotal here: \$ _____

Identify the total amount of unliquidated obligations for these two categories, as of the end of the preceding program year and enter that amount here: \$ _____

Subtract the figure in the line directly above from the preceding subtotal and enter the balance here. (This is the amount of net obligations for public services that were incurred during the program year and are subject to the cap.) \$ _____

If the amount of net obligations incurred during the program year does not exceed the amount determined under Part I as the maximum amount allowed for the year, the program participant is in compliance with this limitation.